Financial Services
Commission
of Ontario

Financial Services Commission of Ontario

Agency Business Plan 2017-2020

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Executive Summary

In 2015, the Ontario Minister of Finance appointed an Expert Advisory Panel to review the mandates of the Financial Services Commission of Ontario (FSCO), the Financial Services Tribunal (FST) and the Deposit Insurance Corporation of Ontario (DICO). The panel submitted its final report to the Minister, dated March 31, 2016. The Panel's 44 recommendations included the establishment of a new, independent and integrated regulator. In December 2016, the government passed legislation entitled the Financial Services Regulatory Authority of Ontario Act, 2016, which will come into force on a future date to be named by the Lieutenant Governor. The legislation establishes the initial parameters of the Financial Services Regulatory Authority of Ontario (FSRA), a new independent and flexible regulator of financial services and pensions. The government intends to appoint an initial board of directors for FSRA and develop a detailed implementation plan.

In the context of the government's decision and recognizing that many related decisions are still to be made, we are pleased to present FSCO's Agency Business Plan to the Minister of Finance, in accordance with the Government of Ontario's Agencies and Appointments Directive (AAD). The Plan outlines the strategic directions and priorities of FSCO, the FST and the Motor Vehicle Accident Claims Fund (MVACF).

FSCO is an arms-length regulatory agency accountable to the Minister of Finance, established by the Financial Services Commission of Ontario Act, 1997 (FSCO Act). FSCO exists as an independent regulator to enforce legislation, protect public interests and support a strong financial services industry.

FSCO oversees the insurance industry, pension plans, mortgage brokering, credit unions and caisses populaires, co-operative corporations, loan and trust companies in Ontario, and service providers that invoice auto insurers for statutory accident benefits claims. FSCO is also responsible for the administration of MVACF and the Pension Benefits Guarantee Fund (PBGF). It also provides administrative support to the FST, which is an independent, expert adjudicative body that hears appeals from decisions of the Superintendent.

The financial services sectors FSCO regulates represent a large, dynamic industry that underpins our provincial economy and Ontarians' quality of life. The industry delivers products and services that help individuals and families build financial security while also supporting financial stability for businesses and other organizations.

People across Ontario depend on FSCO to effectively regulate the sectors we oversee.

FSCO's activities align with the Government of Ontario's priorities of fostering a more innovative and dynamic business environment and strengthening retirement security.

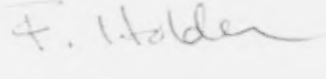
FSCO continues to be guided by its 2015-18 Strategic Plan and the following over-arching goals:

- Be risk-based, proactive, evidence-based, balanced, transparent, service-oriented, and collaborative in our work;
- Further a coordinated national approach to regulatory issues; and
- Be a recognized thought leader in regulatory policy.

In 2017, FSCO will be developing its next strategic plan. FSCO will again consider the external and internal environments, including government priorities, and the potential impacts of its strategies on the public and

the sectors it regulates. FSCO consults on its priorities via its Statement of Priorities, and reports on its achievements in its Annual Report.

FSCO's 2017-2020 Agency Business Plan positions the organization to address emerging regulatory needs in the financial services sector and support the government's decision to establish FSRA.



Brian Mills
Interim Chief Executive Officer and
Superintendent of Financial Services
Financial Services Commission of Ontario

Florence A. Holden
Acting Chair, Financial Services Commission of Ontario
Acting Chair, Financial Services Tribunal

Mandate

FSCO's Legislative Mandate

FSCO's legislative mandate is to provide regulatory services that protect the public interest and enhance public confidence in the sectors it regulates.

FSCO is committed to being a progressive and fair regulator, working with stakeholders to support a strong financial services industry, and protecting the interests of financial services consumers and pension plan beneficiaries.

In 2015, the Ontario Minister of Finance appointed an Expert Advisory Panel to review the mandates of FSCO, the FST and DICO. The panel submitted its final report to the Minister, dated March 31, 2016. The Panel's 44 recommendations included the establishment of a new, independent and integrated regulator. In December 2016, the government passed legislation entitled the Financial Services Regulatory Authority of Ontario Act, 2016, which will come into force on a future date to be named by the Lieutenant Governor. The legislation establishes the initial parameters of the Financial Services Regulatory Authority of Ontario (FSRA), a new independent and flexible regulator of financial services and pensions that, once established, would be more consumer-focused and improve protections for consumers, investors and pension plan beneficiaries. The government intends to appoint an initial board of directors for FSRA and develop a detailed implementation plan.

FSCO continues to make priority-driven decisions to strengthen its regulatory capabilities today and build flexibility to support the government's establishment of FSRA.

Ensuring Compliance with the Law

FSCO's primary role is to ensure compliance with the laws governing each regulated sector so that consumers and pension plan beneficiaries are well protected. In order to ensure compliance, FSCO administers and enforces several statutes and corresponding regulations. FSCO develops administrative and regulatory policies and procedures to support enforcement of the law, and takes timely regulatory action to correct or terminate activities that do not comply with the law. Compliance is one of the ways that FSCO fulfills its legislative mandate, but it is not the only one.

FSCO regulates the financial services sectors in Ontario outlined below as well as pension plans, and ensures the sectors comply with the corresponding legislation:

Sector	Corresponding Statutes
Co-operative Corporations	• Co-operative Corporations Act and Regulations
Credit Unions and Caisses Populaires	• Credit Unions and Caisse Populaires Act, 1994 and Regulations
Service Providers that invoice auto insurers for statutory accident benefits claims	• Insurance Act and Regulations
Insurance	• Insurance Act and Regulations • Automobile Insurance Rate Stabilization Act, 2003 and Regulations • Compulsory Automobile Insurance Act and Regulations • Prepaid Hospital and Medical Services Act • Motor Vehicle Accident Claims Act and Regulations
Loan and Trust Companies	• Loan and Trust Corporations Act and Regulations

Sector	Corresponding Statutes
Mortgage Brokering	• Mortgage Brokerages, Lenders and Administrators Act, 2006 and Regulations
Pension Plans	• Pension Benefits Act and Regulations

FSCO's approach to fulfilling its legislated regulatory responsibilities is outlined in greater detail in its Regulatory Framework which is posted on the FSCO website.

As of December 31, 2016, FSCO regulated or registered:

- 322 insurance companies
- 7,030 pension plans
- 99 credit unions and caisses populaires
- 51 loan and trust corporations
- 1,202 mortgage brokerages
- 2,712 mortgage brokers
- 11,262 mortgage agents
- 176 mortgage administrators
- 1,769 co-operative corporations
- 53,264 insurance agents
- 5,752 corporate insurance agencies
- 1,592 insurance adjusters
- 4,540 service providers that invoice auto insurers for statutory accident benefits claims

Providing General Supervision of the Regulated Sectors

FSCO also has a general supervisory role that focuses on ensuring that the regulated sectors are sustainable, that consumers are treated fairly, and that pension plan beneficiaries' benefits are secure. This supervisory role includes monitoring the regulated sectors, influencing the behaviour of licensees or registrants, supporting a dynamic and innovative financial services marketplace, and providing advice and recommendations to the Ontario government. FSCO supervises the regulated sectors by performing its core regulatory activities.

Vision

FSCO's vision is to be an effective regulatory supervisor that protects the public interest in the financial services marketplace.

This vision, first identified in FSCO's 2015-18 Strategic Plan, reflects FSCO's commitment to its supervisory role.

Governance and Accountability

The FSCO Act sets out a three-part structure which includes the Commission; the Superintendent of Financial Services and staff; and the Financial Services Tribunal.

Commission Membership and Purposes

FSCO is governed by a four-member commission, consisting of the Superintendent of Financial Services, a part-time Chair, and two part-time Vice-Chairs. The Chair and Vice-Chairs are also the Chair and Vice-Chairs

of the Financial Services Tribunal. Each member is appointed for a fixed term by the Lieutenant Governor in Council. Appointments to the commission are made in accordance with the guidelines established by Ontario's Public Appointments Secretariat.

Name	Position
Florence A. Holden	Acting Chair
Denis Boivin	Acting Vice-Chair
Ian McSweeney	Acting Vice-Chair
Brian Mills	Interim CEO and Superintendent of Financial Services

The commission is required to review and approve key planning, strategic and accountability documents, including FSCO's Agency Business Plan, Statement of Priorities and Annual Report. The Superintendent and the Chair are members of FSCO's Audit and Risk Committee and the Vice-Chairs are invited to attend meetings.

Superintendent and Staff

The Superintendent of Financial Services (Superintendent) administers and enforces the FSCO Act and all other acts that confer powers on or assign duties to the Superintendent. The Superintendent is also the CEO of FSCO and is appointed under the Public Service of Ontario Act, 2006. Under the FSCO Act, the powers and duties of the Superintendent include:

- Generally supervising the regulated sectors;
- Administering and enforcing the FSCO Act and every other act that confers powers on or assigns duties to the Superintendent; and
- Being responsible for FSCO's financial and administrative affairs.

FSCO staff, who are public servants under the Public Service of Ontario Act, 2006, report directly or indirectly to the Superintendent.

For a senior management overview, please refer to Appendix 1 – FSCO Organizational Chart.

Financial Services Tribunal

The Financial Services Tribunal is an expert adjudicative tribunal established under the FSCO Act. The Chair and Vice-Chairs of the FST are also the Chairs and Vice-Chairs of the commission. FSCO provides the FST with supporting staff, space, information technology resources, and financial funding. For more information, see the section on the FST.

Governance and Management Processes

The foundation for FSCO's corporate governance is provided by the Management Board of Cabinet's Agencies and Appointments Directive (AAD) and the Memorandum of Understanding (MOU) between the Minister of Finance, the Chair of the Commission and the Superintendent of Financial Services/Chief Executive Officer and pursuant to the FSCO Act.

Amongst other important matters, the AAD sets out the requirements for provincial agencies, appointments and remuneration.

The MOU outlines the accountability framework between the Minister and FSCO, establishes tools for governance and accountability and explains roles, relationships and mutual expectations. A full review of

the MOU is conducted in the event of a significant change to the agency's mandate, powers or governance structure. FSCO's current MOU was signed in 2016.

Performance Measurement Framework

FSCO's performance measurement framework articulates the agency's goals into actionable outcomes that can be measured and refined over time. As part of the Program Review, Renewal and Transformation (PRRT) process, FSCO is continuing to examine its key performance measures.

Financial Reporting and Accountability

As an Ontario government agency, FSCO receives an annual spending authority through the government planning process, based on needs and government priorities. FSCO files quarterly reports on its spending. The Office of the Auditor General of Ontario audits FSCO's annual financial statements.

FSCO's Audit and Risk Committee (ARC) helps the CEO/Superintendent discharge his responsibilities related to financial affairs and risk management.

Recovering FSCO's Costs

FSCO reports to the government under Section 15 of the Financial Administration Act (FAA), which requires that at the end of each fiscal year FSCO's expenses equal the revenues that have been collected. Most of FSCO's costs are recovered from the regulated sectors through a combination of assessments and fees. Under the FSCO Act, the Lieutenant Governor in Council may assess all businesses, individuals and pension plans that form part of a regulated sector with respect to expenditures incurred by the Ministry of Finance, the Commission and the FST. The Minister of Finance is authorized to establish fees with respect to the regulated services provided by FSCO.

The government supports co-operative corporations by providing an annual allocation of $500,000 to help cover the costs of administering the sector.

How FSCO Fulfils the Government's Priorities

As a regulatory agency that is accountable to the Minister of Finance, FSCO contributes to government and ministry priorities.

FSCO regulates the financial services sector to maintain market confidence and financial system stability, to protect consumers from market practices that are unfair or harmful, to enhance retirement income security, and to mitigate the potential for regulated business activity being used for unlawful purposes. Regulation reduces systemic risk to the financial services industry and the economy, which could otherwise have significant and far-reaching consequences. To this end, regulatory decisions are necessary, and sometimes are contentious in light of competing stakeholder interests. For these reasons, FSCO exists as an independent regulator to enforce legislation, protect public interests and support a strong financial services industry and a secure retirement income system.

Building on its core regulatory activities, FSCO is contributing to the government's economic plan as outlined in recent budgets, the Minister of Finance's 2016 mandate letter, and the 2016 Ontario Economic Outlook and Fiscal Review, including:

- Fostering a More Innovative and Dynamic Business Environment:

- FSCO participated in the modernizing of Ontario's financial services through the government's reviews of:
  - FSCO's and the FST's mandates to further modernize regulation of financial services and advance ongoing work on pension reform; and
  - The legislative framework for credit unions and caisses populaires. FSCO and DICO share responsibility for regulating credit unions and caisses populaires under the Credit Unions and Caisses Populaires Act, 1994, and for ensuring compliance with its provisions. FSCO is responsible for enforcing the market conduct provisions in the act, including those related to consumer protection and governance. DICO is responsible for enforcing solvency provisions.
- FSCO is protecting Ontario consumers by implementing the government's reforms aimed at fighting insurance fraud and abuse in order to make auto insurance more affordable for Ontarians, which includes supporting the government's:
  - Auto Insurance Cost and Rate Reduction Strategy;
  - Serious Fraud Unit, whose initial mandate would include addressing auto insurance fraud; and
  - Transformation of Ontario's auto insurance dispute resolution system to help injured drivers settle disputed claims faster.
- FSCO is dedicating ongoing resources to enhance compliance activities of mortgage brokers involved in Ontario's syndicated mortgage market to better protect borrowers, lenders and investors who rely on syndicated mortgage investment products. FSCO is also a member of the Ministry of Finance's working group which will develop recommendations for the government's consideration.

- Strengthening Retirement Security:
  - FSCO is contributing to the development of regulations to implement the amendments to the Pension Benefits Act introduced in 2010.
  - FSCO is supporting and contributing to the development of the regulatory framework and regulations with respect to Target Benefit Plans.
  - FSCO will support the Office of the Superintendent of Financial Institutions (Canada) in its regulation of Pooled Registered Pension Plans in Ontario under the 2017 Agreement Amending the Multilateral Agreement Respecting Pooled Registered Pension Plans and Voluntary Retirement Savings Plans.

Agency Mandate Letter

Per the Agencies and Appointments Directive, Ministers are not required to provide a mandate letter to an agency in a fiscal year during which the agency has a mandate review. While FSCO has not received a mandate letter, it is responsible for or directly supports a number of priorities outlined in the Minister of Finance's mandate letter.

Strategic Direction

FSCO establishes its strategic plan on a three-year cycle. In developing and monitoring its strategic plan, FSCO considers the external and internal environments, alignment with government priorities, ways to continually improve operating effectiveness, and the potential impacts of its strategies on the public and the sectors it regulates.

For 2017-18, FSCO continues to be guided by its 2015-18 strategic plan and works to be an effective regulatory supervisor that protects the public interest in the financial services marketplace.

FSCO's strategic plan has three over-arching goals:

- Be risk-based, proactive, evidence-based, balanced, transparent, service-oriented, and collaborative in our work;
- Further a coordinated national approach to regulatory issues; and
- Be a recognized thought leader in regulatory policy.

FSCO identified these three goals to embed its regulatory framework principles in all activities, advance national coordination efforts, and leverage its knowledge role in the financial services marketplace. The local, national and international scope of the goals reflect the expanding and inter-connected environment in which FSCO operates.

Each year FSCO identifies priorities from among its strategic outcomes to receive additional attention and build momentum towards achieving its goals and vision. In selecting priority areas, FSCO considers the external and internal environments. As the outcomes are interrelated, consideration is given to dependencies between outcomes and how best to focus efforts and resources to deliver FSCO's mandate and strategic goals.

In 2017-18, FSCO will continue to focus on the following seven priorities:

- Financial services industry compliance with laws and regulations;
- Adequate disclosure of information to enable informed decisions by consumers;
- Awareness of FSCO's actions in the financial services marketplace;
- Common and integrated processes enabled by integrated technology solutions;
- Enhanced collection, use and sharing of market intelligence;
- Agile and adaptable organization; and
- Influence development of provincial, national and international regulatory policy.

The priorities will support FSCO in achieving its goal of embedding the regulatory framework principles in all of its activities. The outcomes related to market intelligence and regulatory policy will also enable FSCO to realise its goals of continuing to promote national regulatory coordination with partners across Canada and using its expertise to influence the conversation about the financial services environment as a recognized thought leader.

FSCO consults on its priorities via its Statement of Priorities, and reports on its achievements in its Annual Report.

Major initiatives planned or underway are described in the Overview of Current and Future Programs and Activities and the Implementation Plan sections.

FSCO measures its success in relation to its overarching mandate of providing regulatory services that protect the public interest and enhance public confidence in the regulated sectors. As part of the Program Review, Renewal and Transformation (PRRT) process, FSCO is continuing to examine its key performance measures. See the section on Performance Measures for details.

FSCO's 2015–18 Strategic Plan

VISION	• To be an effective regulatory supervisor that protects the public interest in the financial services marketplace
GOALS	• **Be risk-based, proactive, evidence-based, balanced, transparent, service-oriented and collaborative in our work** • **Further a coordinated national approach to regulatory issues** • **Be a recognized thought leader in regulatory policy**

	Public and Stakeholders	Accountability & Performance	Internal Process	Organizational Capability
STRATEGIC OUTCOMES	• **Financial services industry compliance with laws & regulations** • Well-developed corporate governance structures in regulated entities • Fair treatment of consumers by regulated entities • Security of pension plan members' benefits via application of the funding provisions of the legislation • **Adequate disclosure of information to enable informed decisions by consumers** • **Awareness of FSCO's actions in the financial services marketplace** • Regulatory services are valued by the public & stakeholders	• Meet or exceed national and international supervisory standards • Meet or exceed provincial agency standards • Meet or exceed internal performance standards	• Risk-based Approach is embedded in all activities • Efficient & transparent processes • **Common & integrated processes enabled by integrated technology solutions** • Enhanced collection, use & sharing of business intelligence • **Enhanced collection, use & sharing of market intelligence**	• Awareness of internal & external environment throughout the organization • **Agile & adaptable organization** • **Influence development of provincial, national & international regulatory policy**
OPERATIONAL OUTCOMES	• Regulated entities in the marketplace comply with the law • Proactive compliance, intervention & enforcement action • Improve on-going communication with the public & stakeholders • Improve the delivery of regulatory services • Seek, evaluate & respond to feedback from the public & stakeholders • Increase transparency & communication of core regulatory functions	• Establish meaningful internal performance standards • Meet or exceed established performance standards	• Design tools & use information that supports the principles of the risk-based approach • Develop & implement common, transparent processes • Implement the business model to achieve integration of processes enabled through IT solutions • Optimize research & market intelligence in support of regulatory decision-making • Develop a comprehensive information management framework	• Implement a strategic professional development program • Promote skill & knowledge transfer • Empower staff to make decisions • Develop a strategic succession management plan • Implement effective staff engagement strategies • Contribute innovative solutions to common national & international regulatory policy issues.

Environmental Scan

This Environmental Scan reviews current and future environmental factors that have an impact on FSCO's operation, as well as how they may affect FSCO's ability to conduct its business. FSCO's strategic priorities are informed by the environment. FSCO applies a risk-based approach to its work and remains committed to continually reviewing systems and processes to ensure Ontario has a strong, flexible and integrated regulator that can keep pace with change, adapt to the environment, embrace modernization, and identify and address emerging risks.

External Factors

1. The Economy

In the 2016 Ontario Economic Outlook and Fiscal Review, the government indicated that steady growth in the U.S. economy, along with the ongoing impacts of a more competitive Canadian dollar and low oil prices, continues to support Ontario's economic growth. According to Ontario's Long-Term Report on the Economy, labour productivity, a key driver of Ontario's prosperity, is projected to continue to grow at its long-term historical pace of an annual average of 1.2 per cent. The same report identified the following broad trends that the government expects will shape Ontario's economic, fiscal and social environment between 2016 and 2040:

- An aging and more slowly growing population, in Ontario and many parts of the world;
- Potentially slower economic growth in many regions of the province, owing to slowing workforce growth;
- Growth in the trade in services continuing to outpace the trade in goods;
- The rise of non-standard forms of employment, including part-time and short-term work; and
- Provinces and territories will face significant fiscal challenges over the long term, while the federal government's fiscal position is projected to be more sustainable and improve over the same period.

The changing economic environment can affect FSCO's regulated sectors, for example, through changes to consumer demand, company borrowing costs and investment returns.

2. Government Priorities

The 2015 and 2016 Ontario Budgets outlined actions the government is taking to protect auto insurance consumers and ensure affordable premiums, modernize financial services regulation, and strengthen workplace pension plans.

The Budgets also reiterated the government's commitment to balancing the budget through Program Review, Renewal and Transformation, managing compensation costs, maintaining tax fairness and a level playing field for business, and strengthening government transparency, financial management and fiscal accountability.

In the Minister of Finance's 2016 mandate letter, the Premier indicated that the Minister's mandate is to "create an environment that helps foster a dynamic, innovative and growing economy, and manages the fiscal, financial and related regulatory affairs of the province." Priorities included "developing the government's response to the final report of the Expert Advisory Panel appointed to review the mandates of FSCO, the FST and DICO, and implementing any changes that result, ensuring strong regulation of financial services and pensions and improved consumer, investor and pension plan beneficiary protection."

The government appointed David Marshall as an advisor to the Minister of Finance on auto insurance and pensions, starting February 1, 2016. Mr. Marshall will provide recommendations to the government on further ways to reduce auto insurance costs in Ontario. In addition, Mr. Marshall has been working with the government on its pension solvency funding review announced in the 2015 Ontario Economic Outlook and Fiscal Review with a view to assisting the Ministry of Finance in developing a balanced set of solvency funding reforms that would focus on plan sustainability, affordability and benefit security, and take into account the interests of pension stakeholders.

FSCO will continue to support the government's priorities in a proactive and relevant manner.

3. Demographics

According to Ontario's Long-Term Report on the Economy, Ontario's population is projected to grow from an estimated 14 million to 17.8 million by 2040. As of 2016, more Ontarians turn 65 each year than turn 15, and the number of seniors in the province is projected to almost double by 2040.

As Ontario's population ages, demand for and interest in healthcare, long-term care, pensions, insurance products and other financial services is expected to increase. The impact of the demographic shift supports the case for integrated financial services regulation to help ensure consumers are treated fairly and the need for increased regulatory resources with the related skills, knowledge and experiences.

4. Regulatory Environment

Influenced by both local realities and global trends, the financial services sector is rapidly evolving. For example:

- There has been an international trend to financial services regulation whereby responsibility for market conduct and prudential regulation is assigned to separate entities. There is also an increased regulatory focus on adopting international standards for financial consumer protection, for example, the International Association of Insurance Supervisors and the International Organisation of Pension Supervisors have published core principles for the effective supervision of the insurance and pension sectors.
- Canada and other jurisdictions have been moving toward a more coordinated approach to financial services regulation. Insurance regulators across Canada, including FSCO, have signed a memorandum of understanding that will allow more information sharing and collaboration on market conduct issues affecting regulated entities.
- There is a focus on streamlined regulation and improving efficiency of regulatory methods as a means of removing red tape and regulatory burden.
- Consumers and certain market participants are increasingly aware of the difference in disclosure and transparency requirements placed upon intermediaries in Ontario's financial services marketplace as well as higher standards required internationally. Market participants will continue to expect more harmonized standards across similar industries. FSCO will continue to monitor national and international trends and developments relating to disclosure and the standard of care of financial intermediaries.
- Financial services firms and intermediaries are becoming increasingly active in multiple product lines, blurring the lines that once delineated the various financial services industries.
- Increased consolidation among major market players, particularly in the credit union sector, and product innovation have resulted in new risks and complexities for regulators.

- There has been an observable increase in non-traditional services, such as syndicated mortgage promoters and non-bank lenders. Regulators will have to become increasingly nimble and responsive to emerging gaps in monitoring and enforcement.
- Financial technology ("fintech") companies are becoming more popular in Canada. Fintech companies use software, algorithms and data to provide financial products at a lower cost. The sharing economy and blockchain technology (the technology underlying digital currencies such as bitcoin) have made an impact on the financial services sector in recent years and as a result, pose a challenge to traditional financial services, particularly banks, credit unions and insurance companies. Fintech may also have implications on existing laws, regulated entities, employment and consumer protection.
- The sharing economy also includes disruption in other industries that require a response from financial services regulation (e.g., ridesharing).
- Cyber security threats are a growing concern in the financial services sector as consumers continue to embrace and increase their use of technology.
- Climate and environmental change continue to increase the potential for catastrophic losses, which could severely impact consumers and the financial services sector.
- The decline in North America of the manufacturing, resource, media and unionized retail sectors and low interest rates are both threats for traditional pension plans and Ontario's Pension Benefits Guarantee Fund.

Internal Factors

1. Agencies Mandate Review

In 2015, the Ontario Minister of Finance appointed an Expert Advisory Panel to review the mandates of FSCO, the FST and DICO. The panel submitted its final report to the Minister, dated March 31, 2016. The Panel's 44 recommendations included the establishment of a new, independent and integrated regulator.

In December 2016, the government passed legislation entitled the Financial Services Regulatory Authority of Ontario Act, 2016, which will come into force on a future date to be named by the Lieutenant Governor. The legislation establishes the initial parameters of the Financial Services Regulatory Authority of Ontario (FSRA), a new independent and flexible regulator of financial services and pensions that, once established, would be more consumer-focused and improve protections for consumers, investors and pension plan beneficiaries. The government intends to appoint an initial board of directors for FSRA and develop a detailed implementation plan.

2. FSCO's Human Capital

An aging workforce, coupled with compensation and retirement benefit changes in 2017, has increased retirements and movement within the Ontario Public Service (OPS) and FSCO. Organizational change and uncertainty, including the government's passing of legislation that establishes the initial parameters of FSRA, places additional pressure on FSCO's ability to recruit and retain staff, potentially increasing turnover. New programs and projects will require the development of new skills. These factors emphasize the need for strategic succession planning, knowledge transfer and skill development.

FSCO is largely comprised of bargaining agent staff. There is relatively equal representation of Ontario Public Service Employees Union (OPSEU) members and the Association of Management, Administrative and Professional Crown Employees of Ontario (AMAPCEO) members.

3. Value-for-money Audits

On December 9, 2014, the 2014 Annual Report of the Office of the Auditor General of Ontario was tabled in the Legislative Assembly of Ontario. Section 3.03, Financial Services Commission of Ontario—Pension Plan and Financial Service Regulatory Oversight, reported on the findings of an OAGO Value for Money audit and set out 33 recommended actions under nine recommendations.

Among other things, the auditors recommended FSCO make better use of its powers to monitor pension plans and conduct on-site examinations, closely monitor the financial exposure risk of the Pension Benefits Guarantee Fund, use its legislative authority under the Co-operative Corporations Act to protect members and investors of co-operative corporations, take timely and proactive action to conduct investigations, complaints, and examinations across its regulated sectors, and enhance its licensing system and procedures.

FSCO worked with stakeholders and the OAGO reported in December 2016 that 17 of the recommended actions have been fully implemented and one recommended action will not be implemented. FSCO continues to consider the remaining recommendations and to discuss them with ministry staff as government decisions are made.

4. Transition of Dispute Resolution Services

On November 20, 2014, Bill 15 received Royal Assent by which dispute resolution (DR) services are moved from FSCO to the Ministry of the Attorney General's (MAG) Licensing Appeal Tribunal (LAT) of the Safety, Licensing Appeals and Standards Tribunals Ontario. FSCO provided support to the Ministry of Finance and MAG who have responsibility for this initiative.

As of April 1, 2016, LAT assumed all new applications for DR services. FSCO no longer accepts applications for mediation, neutral evaluation and arbitration, but will continue to be responsible for files remaining open as of March 31, 2016.

Overview of Current and Future Programs and Activities

FSCO's programs and activities in relation to its mandate and government priorities include regulatory activities, program delivery and enabling functions. FSCO's priority projects aligned to its strategic outcomes are outlined in the Implementation Plan section.

FSCO is also adapting to changes in the financial services marketplace. For example, syndicated mortgage lending in Ontario almost doubled from $3 billion annually to close to $6 billion annually between 2012 and 2015, with syndicated mortgage investments being increasingly marketed to smaller-scale investors. FSCO will continue to focus on syndicated mortgages, including dedicating ongoing resources to protect borrowers, lenders and investors who rely on syndicated mortgage investment products.

Core Regulatory Activities

FSCO's regulatory activities include regulatory policy and coordination, licensing and registration, filings and applications, monitoring and compliance, as well as enforcement and intervention.

As an integrated regulator, FSCO undertakes regulatory activities governing the following sectors: insurance industry, pension plans, loan and trust companies, credit unions and caisses populaires, the mortgage brokering sector, service providers that invoice auto insurers for statutory accident benefits claims, and co-operative corporations. FSCO uses a consistent and comprehensive risk-based approach to regulating these seven sectors. It gathers market intelligence from the sectors in order to make evidence-based decisions and focus regulatory efforts, thereby delivering regulatory services in an efficient and effective manner.

FSCO's approach to fulfilling its legislated regulatory responsibilities is outlined in greater detail in its Regulatory Framework, which is available on FSCO's website.

Regulatory Coordination

FSCO is part of a broader regulatory environment that includes other federal and provincial regulators, as well as industry and consumer stakeholders from Ontario and around the world. FSCO prioritizes cooperation among regulators, and will continue to play a leadership role in regulatory coordination. FSCO will work with other regulators to promote national approaches and regulatory harmonization where appropriate, share information across jurisdictions, and provide solutions and guidance on regulatory matters across Canada. This work supports FSCO's goals of furthering a national approach to regulatory issues and of being a recognized thought leader in regulatory policy.

As part of this effort, FSCO is a member and host of the following national organizations that promote regulatory coordination and harmonization among provincial authorities responsible for regulating pensions, insurance, and mortgage brokering:

- Canadian Association of Pension Supervisory Authorities[1] (CAPSA);

[1] **The Canadian Association of Supervisory Pension Authorities (CAPSA)** is a national inter-jurisdictional association of pension regulators whose mission is to facilitate an efficient and effective pension regulatory system in Canada. It develops practical solutions to further the coordination and harmonization of pension regulation across Canada.

- Canadian Council of Insurance Regulators[2] (CCIR);
- General Insurance Statistical Agency[3] (GISA); and
- Mortgage Broker Regulators' Council of Canada[4] (MBRCC).

FSCO is also a member of the Canadian Automobile Insurance Rate Regulators Association (CARR) and the Canadian Insurance Services Regulatory Organizations (CISRO).

Alignment with Internationally Recognized Core Principles of Supervision

The International Association of Insurance Supervisors and the International Organisation of Pension Supervisors have published core principles for the effective supervision of the insurance and pension sectors. These core principles prescribe the essential elements of a supervisory regime that provide an adequate level of protection for policyholders and pension plan beneficiaries, and promote a financially sound insurance and pension sector. FSCO works to align its regulatory activities with these internationally recognized core principles.

Program Delivery

FSCO's responsibilities also include:

- Administering the Motor Vehicle Accident Claims Fund which is a special purpose fund used to pay claims involving automobile accidents with uninsured motorists, and hit-and-run accidents where no insurance is available. The fund provides compensation to people injured in automobile accidents when no automobile insurance exists to respond to the claim and enforces repayment to the province, of monies paid out from the fund, from those individuals found at-fault by the courts.
- Administering the Pension Benefits Guarantee Fund which provides protection to Ontario members and beneficiaries of certain privately sponsored single-employer defined benefit pension plans in the event of plan sponsor insolvency.
- Following a review of the dispute resolution system, the Ontario government passed legislation that moved the Automobile Insurance Dispute Resolution system from FSCO to the Licence Appeal Tribunal (LAT) of the Safety, Licensing Appeals and Standards Tribunals Ontario. LAT assumed all new applications for dispute resolution services as of April 1, 2016. FSCO stopped accepting applications for mediation, neutral evaluation and arbitration as of March 31, 2016, but will continue to be responsible for all remaining open files as of that date.

Enabling Functions

FSCO's regulatory activities and program delivery functions are supported by the Corporate Services, Strategic Communications, Enterprise Business Solutions and Legal Services Branches. These branches are responsible for financial and resource management, procurement, general administration, strategic, operational and human capital planning, contact centre services, communications, information technology,

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[2] **The Canadian Council of Insurance Regulators (CCIR)** is an inter-jurisdictional association of insurance regulators. CCIR's mandate is to facilitate and promote an efficient and effective insurance regulatory system in Canada to serve the public interest.

[3] **The General Insurance Statistical Agency (GISA)** was appointed in April 2006 to carry out the activities of a statistical agent on behalf of nine participating insurance regulatory authorities across Canada. As a federally incorporated, not-for-profit corporation, GISA provides governance, accountability and oversight of the mandated statistical information for the participating jurisdictions.

[4] FSCO is a member of the **Mortgage Broker Regulators' Council of Canada (MBRCC)** – an inter-jurisdictional association of mortgage broker regulators in Canada. MBRCC's mandate is to improve and promote the harmonization of mortgage broker regulatory practices across Canada to serve the public interest.

and legal services.

Initiatives Involving Third Parties

Initiatives involving third parties, which are defined as "any party – other than the responsible ministry – with which the agency is partnering or with which it has a funding relationship," are included in the Overview of Current and Future Programs and Activities and Implementation Plan sections. Examples include FSCO's work with national organizations such as CAPSA, CCIR, GISA and MBRCC. These and other initiatives allow FSCO and other regulators to keep apprised of regulatory and industry developments, and to develop and influence harmonization efforts that improve regulation across the country.

Implementation Plan

This implementation plan explains how FSCO plans to carry out its current strategies and major initiatives over the next three years. FSCO aims to provide its regulatory services seamlessly while adapting to any changes to its mandate or the regulatory environment.

Table 1 outlines FSCO's operational projects and their alignment to FSCO's Strategic Outcomes.

Table 1: Operational Projects Aligned to Strategic Outcomes

Project	Description	2017-18	2018-19	2019-20
Strategic Outcome: Financial services industry compliance with laws and regulations				
Ridesharing/Sharing Economy - Long Term Strategy	• The 2016 Ontario Budget committed FSCO to work with the Ministry of Finance and the insurance industry to develop a long term legislative framework to support an insurance framework to fully integrate the sharing economy into Ontario's auto insurance system.			
Strategic Outcome: Fair Treatment of Consumers by Regulated Entities				
Minor Injury Treatment Protocol Project Implementation	• The project is to develop and implement a new care guideline for a list of minor injuries for health service providers who provide care to those involved in an automotive accident.			
Strategic Outcome: Adequate disclosure of information to enable informed decisions by consumers				
Report on the Three Year Review of Automobile Insurance, 2017	• Review and report on key components of Ontario's automobile insurance system once every three years. The review was begun in 2016.			

Project	Description	2017-18	2018-19	2019-20
Strategic Outcome: Awareness of FSCO's actions in the financial services marketplace				
Work with stakeholders to reduce auto insurance fraud: Auto Insurance Anti-Fraud Task Force	• FSCO will continue to implement the balance of the Anti-Fraud Task Force Report recommendations. Particular attention will be attributed to: • Service Provider Licensing; • Development of Information-sharing agreements with Canada Revenue Agency (CRA), Workplace Safety and Insurance Board (WSIB), Ontario Disability Support Program (ODSP) and Ontario Health Insurance Plan (OHIP) and the 21 Health Regulatory Colleges; • Increase collaboration with related regulators (e.g., Law Society) through quarterly meetings; • Continue to liaise with Canadian National Insurance Crime Services (CANATICS) to determine how FSCO as regulator can assist auto insurers in combatting fraud; and • Assist MOF in the implementation of the regulation of towing/storage and collision repair practices as required.			
Strategic Outcome: Meet or exceed provincial agency standards				
Implement Value-for-Money Audit Recommendations: Pension Division	• FSCO's Pension Division (PD) will be the lead in addressing the recommendations that were provided in the 2014 Auditor General's Value-for-Money Audit on Pension Plan and Financial Services Regulatory Oversight related to pension plan oversight. • FSCO worked with stakeholders and the OAGO reported in December 2016 that 17 of the recommended actions have been fully implemented and one recommended action will not be implemented. FSCO continues to consider the remaining recommendations and to discuss them with ministry staff as government decisions are made.			

Project	Description	2017-18	2018-19	2019-20
Strategic Outcome: Common & integrated processes enabled by integrated technology solutions				
Enterprise Business Architecture	• Defining the target architecture and developing an IT road map; • Defining the scope, priority and timeline of potential FSCO initiatives; • Enhancing FSCO's IT organization and capacity; • Reviewing FSCO's IT processes and procedures; and • Publishing an IT service catalogue and the associated service level agreement (SLA).			
Enterprise Development Program (EDP) Note: With the passage of the FSRA Act in December of 2016, the Ministry of Finance decided to delay major IT capital investment for FSCO systems until the FSRA Board is appointed.	• The objective of EDP is to replace the aging legacy systems into one comprehensive enterprise licensing and stakeholder relationship system. FSCO would integrate the client relationship management (CRM) software functionality with enterprise resource planning (ERP) software functionality. This will assist FSCO in its legacy systems' migration, improve FSCO's internal financial controls, and reduce its technology footprint. The EDP proposed scope will focus on replacing the critical systems first which are the Pensions and Licensing and Market Conduct Division (LMCD) systems. FSCO is also requesting an Enterprise Resource Planning System to have a comprehensive solution to integrate FSCO's stand-alone financial systems and manual processes into a single corporate financial, planning and reporting system. Remaining system updates to replace all legacy systems will be requested at a later date.			
Information Management Project Phase II	• The project is to improve the flow, quality and accessibility of information throughout FSCO. As an enabler, the Information Management Project will coordinate the existing/future technology solutions and existing/improved business practices to manage FSCO's information assets more effectively and efficiently.			
Strategic Outcome: Risk-based approach embedded in all activities				
Risk-Based Regulation: Pension Division	• The purpose of the project is to develop and implement a more comprehensive approach to risk-based regulation of pension plans, in order to optimize regulatory oversight with the current pension division resources.			

Project	Description	2017-18	2018-19	2019-20
Strategic Outcome: Agile and adaptable organization				
Strategic Professional Development Program	• A Strategic Professional Development Program is intended to develop and enhance FSCO's skill and knowledge capacity to be flexible and forward-looking in delivering financial services regulation. This focus on staff development, in concert with related succession management, knowledge transfer and engagement activities, will position FSCO to better provide expert regulatory services that keep pace with an evolving marketplace.			
Strategic Outcome: Influence development of provincial, national & international regulatory policy				
CAPSA Multi-Lateral Agreement Implementation	• Manage and coordinate the implementation of a new agreement (Multi-Jurisdictional Pension Plan Agreement) to establish clear rules for the administration and regulation of multi-jurisdictional pension plans.			
CAPSA Longevity Risk Initiative	• Conduct research and analysis on the various longevity risk transfer products; Review and examine proposed and/or existing regulatory guidance on longevity risk transfer products; Provide recommendations on whether CAPSA should produce guidance or other communications to stakeholders on these topics; Identify strategies to deliver education and training to CAPSA on these and related topics, as required.			
CCIR Market Conduct Co-operative Supervisory Framework Initiative	• Design, develop and implement a Canadian market conduct regime which resembles a supervisory college approach and considers both international standards and multi-jurisdictional differences.			
CCIR Property Insurance Review Initiative	• Review property insurance policy wording and disclosure issues relating to natural disaster coverage.			
CCIR Segregated Funds Review Initiative	• Review the regulatory landscape for segregated funds and assess potential regulatory arbitrage.			

Project	Description	2017-18	2018-19	2019-20
CCIR Travel Insurance Review Initiative	• The Working Group is to identify practices in the travel insurance market that are causing harm, or have the potential to cause harm to the public, and to develop recommendations to address them in order to prevent further loss in confidence of consumers in travel insurance. • The review of the travel insurance industry will include the activities of insurers, third party administrators, policy wording, and pre-existing condition exclusions, and the adequacy of information that is being provided to consumers for both in-person and online sales.			
GISA Data Management Initiative	• Improve the harmonized collection and reporting of accurate timely and relevant data. • Foster a better understanding of GISA's role. • Support regulators in monitoring and responding to the evolving marketplace.			
GISA Service Provider Management Initiative	• Establish a framework for authorization and oversight of third parties that use GISA's data. • Enhance control over Statistical Service Provider operations related to GISA, including data, systems and processes.			
MBRCC Implementation of Licensing Course Design and Delivery Standards	• Create national standards that govern licensing course design and delivery standards for the mortgage brokering industry.			
MBRCC Principles-Based Guidance	• Create a principles-based guidance document for mortgage brokers to use when providing consumer disclosure during a mortgage transaction. • Produce an accompanying consumer guidance document to encourage consumers to engage their brokers and ask relevant and timely questions.			
MBRCC Mortgage Fraud	• Promote consumer awareness of mortgage fraud risks and the adoption of anti-fraud strategies by industry members.			
MBRCC Continuing/re-licensing education models	• Review continuing/re-licensing education models and assess alignment of course content and opportunities for course recognition across jurisdictions.			
MBRCC Implementation of disciplinary information database for licensed mortgage brokers	• Provide the public and regulators with access to a single, searchable system of disciplinary action taken against licensed mortgage brokers across Canada.			

Project	Description	2017-18	2018-19	2019-20
Minister's Advisor on Auto Insurance and Pensions	• The government appointed David Marshall as an advisor to the Minister of Finance on auto insurance and pensions, starting February 1, 2016. Mr. Marshall will provide recommendations to the government on further ways to reduce auto insurance costs in Ontario. In addition, Mr. Marshall has been working with the government on its solvency funding review announced in the 2015 Ontario Economic Outlook and Fiscal Review with a view to assisting the Ministry of Finance in developing a balanced set of solvency funding reforms that would focus on plan sustainability, affordability and benefit security, and take into account the interests of pension stakeholders.			
Life Insurer Accountability Project	• LMCD has undertaken a project to improve life insurance companies' oversight of life and accident and sickness insurance agents (agents) and to enhance agents' compliance with their requirements under Ontario Regulation 347/04 (Agents).			
Self-Assessment against the International Association of Insurance Supervisors' Insurance Core Principles (ICPs)	• In response to the findings of the 2014 International Monetary Fund's Financial Sector Assessment Program – Insurance Core Principles, FSCO will conduct its second self-assessment, the first completed in 2013 to determine the state of its observance against the ICPs.			

Performance Measures

FSCO's performance measurement framework articulates the agency's goals into actionable outcomes that can be measured and refined over time.

FSCO measures success in relation to its overarching mandate of providing regulatory services that protect the public interest and enhance public confidence in the regulated sectors. Key indicators of success can be found in FSCO's evaluation of targeted industry compliance, consumer and licensees satisfaction, communications to consumers and licensees, consumer complaints resolution, and adherence to FSCO and OPS service standards.

As part of the Program Review, Renewal and Transformation (PRRT) process, FSCO is continuing to examine its key performance measures.

FSCO is also continuing to establish a Performance Measurement Framework to ensure that it:

- Creates performance measures which align to its strategic plan;
- Aligns with the Ontario Public Service performance measurement guidelines that focus on "Efficiency", "Effectiveness" and "Customer Satisfaction";
- Provides greater transparency, accountability and value-for-money;
- Measures what it does and focuses on results that matter; and
- Defines success and delivers on its goals.

FSCO performance measures and targets are monitored, reported and tracked on an annual basis.

FSCO's current performance measures are provided in Table 2. The performance measures and results are available on FSCO's website.

Table 2: FSCO's Performance Measures

Measure	Definition	2017-18 Target
Service Standard Performance	**% of complete and compliant DB Pension Applications reviewed and approved in accordance with timeliness standards.**	
	• Surplus 150 business days	95%
	• Wind up 120 business days	95%
	• Transfer of assets 120 business days	95%
	• Refund of employer overpayment 90 business days	95%
	• Refund of member contributions 60 business days	95%
	% of complete and compliant DC Pension Applications reviewed and approved in accordance with timeliness standards.	
	• Surplus 120 business days	95%
	• Wind up 60 business days	95%
	• Transfer of assets 60 business days	95%
	• Refund of employer overpayment 60 business days	95%
	• Refund of member contributions 30 business days	95%
	Targeted Industry Compliance	
	• Compliance with prescribed timelines for Pensions Annual Information Returns (AIRs)	95%

Measure	Definition	2017-18 Target
	• Compliance rates for AIR's in Health Service Providers and Mortgage Broker sectors	95%
	% of complete applications for Private Passenger Auto Insurance Rate and Risk Classification Filings approved in accordance with timeliness standards.	
	• Simplified Filings within 30 days	90%
	• Standard Filings within 45 days	90%
	• Comprehensive Filings within 60 days	90%
	• Complex Filings within 90 days	90%
	Applications for Third Party Liability Claims	
	• Accurately completed Form 1 (payment under section 7) applications will be reviewed and processed within 20 days	85%
	Licensing & Registration	
	• Electronic applications for new and renewal Insurance Agent licences that are complete and meet all requirements will be reviewed and approved within 5 business days.	100%
	• Insurance Companies-Approval of an Independent Variable Insurance Contract (IVIC) submission within 30 days of receipt	100%
	Sectoral Complaints	
	• Complaints regarding one of the sectors regulated will be acknowledged within 5 business days	100%
	• Complaints regarding one of the sectors regulated to be concluded in 150 days	90%
	• Complaints regarding one of the sectors regulated to be concluded in 365 days	98%
	Quality Service Complaints	
	• Complaints received in writing or through FSCO's website where a reply is requested and contact information has been provided will be acknowledged within 5 business days	100%
	• Complaints received in person or by telephone where a reply is requested and contact information has been provided will be acknowledged within 2 business days	100%
	• Complaints will be concluded within 15 business days of receipt	100%
	Common Service Standards	
	• All calls will be answered by the third ring during core business hours or directed to voicemail.	100%
	• All calls will be returned by the next business day	100%
	• Correspondence will be answered within 15 business days of receipt	100%

Measure	Definition	2017-18 Target
	• If a conclusive response is not possible within the standard time, an interim acknowledgement will be provided within 5 business days of receipt	100%
	Examinations	
	• Final examination reports will be issued within 30 business days of the completion of a routine examinations	95%
	Website Response	
	• All inquiries directed to the Web Manager e-mail account will be concluded and/or responded to within 5 business days.	100%
	Accessible Formats	
	• FSCO will respond within 5 business days to a requestor of web content in accessible format. Following discussions with the requestor, FSCO will provide agreed-upon web content (excluding online applications), in an accessible format within 5 business days.	100%
	• FSCO will respond within 5 days to a requestor of print publication in an accessible format. Following discussions with the requestor, FSCO will provide agreed-upon publication material in an accessible format within 5 business days.	100%

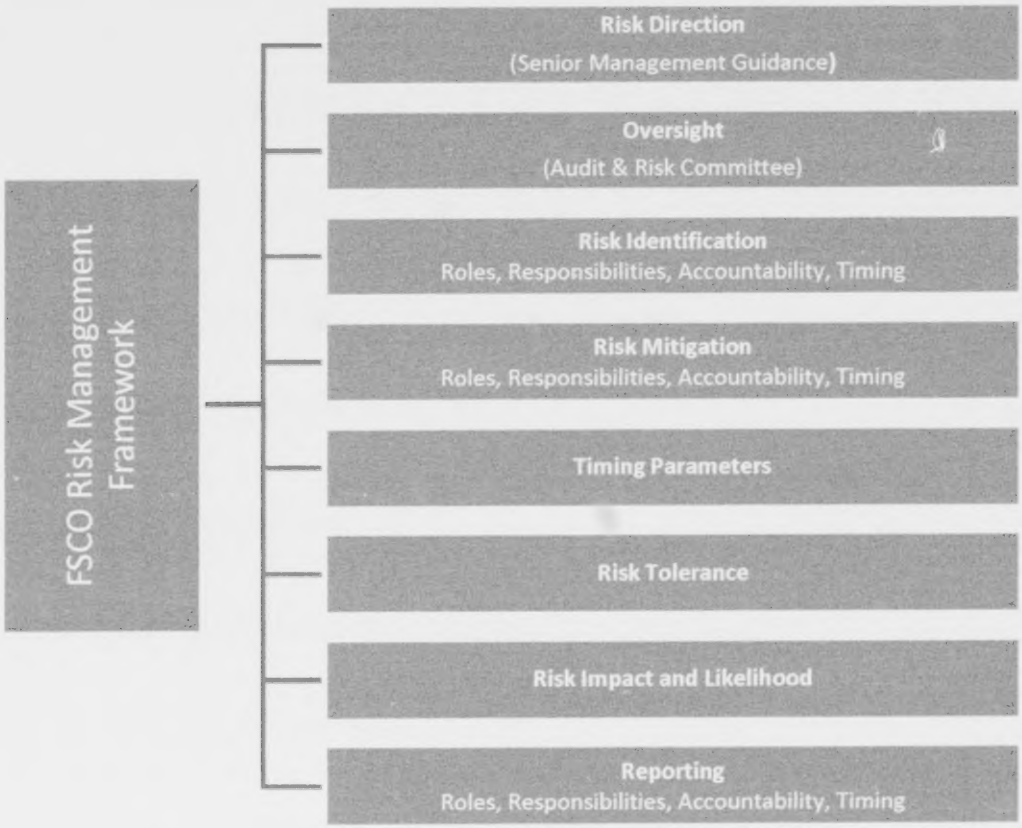
Risk Identification, Assessment and Mitigation Strategies

In accordance with FSCO's Risk Management Framework, FSCO conducts semi-annual risk reviews and an annual assessment. FSCO evaluates risk at a corporate level through its 10 corporate risks that are aligned to FSCO's 2015-18 Strategic Plan.

Risk Management Framework

FSCO's risk management practices are governed by its Risk Management Framework, summarized in Figure 1. The purpose of the framework is to create structure to ensure risk is managed in a timely manner and at the appropriate level.

Figure 1



Residual Risk Assessment

Individual risks are identified and fall into one of FSCO's 10 corporate risk categories. These risk categories correspond with the Ontario Public Service's six risk categories, as required by the Agencies and Appointments Directive (AAD). Individual risk rating is based on a residual risk assessment taking into consideration controls and the status of action plans. All individual risk assessments are rolled up under their associated corporate risk category. FSCO conducts a residual risk assessment at the corporate risk category level resulting in an overall residual risk rating. (Residual risk is the risk that remains after all

mitigating controls have been considered.) Based on current risk tolerances, FSCO has no expected high residual risks among the corporate risk categories through to 2018.

Table 3: 2017–18 Residual Risk Assessment

#	Corporate Risk Category	AAD Risk Category	2017-18 Residual Risk	Corporate Risk Mitigation Strategy
1	Ineffective financial management (including procurement)	Accountability/ Governance/ Operational	Low	Continue to modify FSCO's financial management practices to keep pace with financial management best practices. Particular attention is being paid to expenditures in our fee-based sectors where unanticipated regulatory activity is required.
2	Ineffective corporate governance and oversight of internal operations	Accountability/ Governance/ Operational	Low	Continue to document and monitor internal processes, respond to audit and government recommendations, and improve oversight of operations using international regulatory best practices.
3	Unable to make use of the existing information technology tools in a cost effective manner	Information Technology & Infrastructure	Medium	Prepare and obtain approval for funding for an enterprise technology solution to replace existing legacy systems that improve functionality, efficiency and effectiveness of regulatory activities and business management.
4	Lack of skills and capacity, and ineffective use of human resources to carry out FSCO's mandate	Workforce	Low	Continue to identify, develop and recruit personnel to address skills, knowledge and capacity requirements to address regulatory and business operation needs of future. There is a focus on attraction and retention strategies given the implementation of FSRA.
5	Ineffective stakeholder and public communication engagement	Strategic	Low	Continue to seek, evaluate and respond to public and stakeholder input. FSCO will continue to increase its transparency and communication of core regulatory functions.
6	Insufficient business intelligence & failure to be proactive with marketplace policy	Strategic	Low	Expand upon current business intelligence mechanisms with stakeholders, other regulators, and the market to acquire and integrate information into FSCO's regulatory decision making activities.
7	Inadequate MVACF funding	Accountability/ Governance	Low	Conduct ongoing rigorous claims reviews to ensure only legitimate claims are paid. Conduct annual reviews of cash flow analysis and implement quarterly reviews of fund cash flow analysis and risk tolerances that incorporate mechanisms to alert the government of funding issues.
8	Inadequate PBGF funding	Accountability/ Governance	Low	Continue to conduct rigorous reviews to ensure only legitimate claims are paid. Conduct routine monitoring and reporting to MOF of the fund and prepare projections of funding adequacy.

#	Corporate Risk Category	AAD Risk Category	2017-18 Residual Risk	Corporate Risk Mitigation Strategy
9	Ineffective strategic and operational planning	Accountability/ Governance	Medium	Continue to implement processes to ensure alignment with FSCO's mandate and strategic direction. Continue to work with the Ministry of Finance on supporting the implementation of FSRA.
10	Ineffective protection of FSCO Resources	Other	Low	Continue to assess and monitor business operations to identify potential threats to safety, security and business continuity.

Resources Required to Achieve Outcomes

This section summarizes the resources FSCO has to carry out its mandate.

Financial Outlook

FSCO reports to the government under Section 15 of the Financial Administration Act (FAA), which requires that at the end of each fiscal year FSCO's expenses equal the revenues that have been collected.

An annual spending authority, operating budget appropriation and a capital asset appropriation are requested by FSCO through the government's Program Review, Renewal and Transformation (PRRT) exercise.

Spending Authority Outlook

Table 4 provides FSCO's spending authority outlook by major expense type, as well as the number of full-time staff, which are referred to as Full-Time Equivalents (FTEs). The outlook figures starting in 2017-18 and onwards represent spending authority amounts requested by FSCO through the provincial budget planning cycle and are, therefore, tentative until approved by the Legislature.

FSCO's total for FTEs does not include legal services staff, as they are employees of the Ministry of the Attorney General. These staff play a significant role in helping FSCO discharge its regulatory responsibilities, particularly in the areas of litigation and enforcement. FSCO's 2016–17 spending authority for legal staff costs is $5,732,255. The 2017-18 spending authority request for legal staff is $5,494,900.

Table 4: FSCO's 2017–20 FTE Cap & Spending Authority Outlook by Major Expenditure Type ($000)

Expenditure Type	Average % Change Year-over-Year for 2017-20	2017-18 ($000)	2018-19 ($000)	2019-20 ($000)	2017-18 over 2016-17	2018-19 over 2017-18	2019-20 over 2018-19
FTEs[1]		471.33	471.33	471.33			
Salaries & Wages	0.00%	40,292.50	40,292.50	40,292.50	-4.73%	0.00%	0.00%
Benefits	-7.11%	10,620.20	9,820.20	9,820.20	-5.60%	-7.53%	0.00%
Total Salaries & Benefits	-1.49%	**50,912.70**	**50,112.70**	**50,112.70**	**-4.91%**	**-1.57%**	**0.00%**
Transportation & Communication	-2.17%	803.82	784.21	781.77	-20.74%	-2.44%	-0.31%
Services	-11.56%	27,500.30	22,529.30	22,304.40	-38.80%	-18.08%	-1.00%
Supplies and Equipment	-4.29%	406.40	383.33	381.60	-29.67%	-5.68%	-0.45%
Total ODOE[2]	**-11.27%**	**28,710.52**	**23,696.83**	**23,467.77**	**-38.29%**	**-17.46%**	**-0.97%**
Total DOE[3]	**-6.04%**	**79,623.22**	**73,809.53**	**73,580.47**	**-20.43%**	**-7.30%**	**-0.31%**

[1] FTEs = the number of full-time equivalent staff that are employed by FSCO.
[2] Total ODOE = Total other direct operating expenditures.
[3] Total DOE = Total direct operating expenditures.

Table 5 sets out FSCO's spending authority outlook for 2017–20.

Table 5: FSCO's 2017-20 Spending Authority Allocation Outlook ($000)

Transaction Type	Spending Authority ($000)			Year-Over-Year % Increase / (Decrease)		
	Requested 2017-18	Requested 2018-19	Requested 2019-20	2017-18 over 2016-17	2018-19 over 2017-18	2019-20 over 2018-19
Expenses	79,623.22	73,809.53	73,580.47	-20.43%	-7.30%	-0.31%
Recoveries	77,134.62	71,320.93	71,091.87	-20.95%	-7.54%	-0.32%
Net Operating (Expenses)/Revenues[1]	**-2,488.60**	**-2,488.60**	**-2,488.60**	**0.00%**	**0.00%**	**0.00%**

[1] FSCO has an annualized budget appropriation line of $2.4886M providing for non-recoverable expenditure items (regulation of the Co-operative Sector and year-end Accounts Receivable)

FSCO's Net Operating Expenses

FSCO recovers the majority of its expenses through a combination of fees, assessments of the regulated sectors and through internal recoveries. However, a voted operating appropriation is required to cover expenses that are not recovered from the regulated sectors and to offset year-end accounts receivable balances to ensure compliance with Section 15 of the FAA. Table 6 provides details on FSCO's budget appropriation outlook for the next three years.

Table 6: FSCO's 2017–20 Budget Appropriation Outlook ($000)

	2017-18 ($000)	2018-19 ($000)	2019-20 ($000)
Co-operatives Sector Support	500.00	500.00	500.00
Offset for Uncollected Accounts Receivable, Section 15	1,988.60	1,988.60	1,988.60
Total:	**2,488.60**	**2,488.60**	**2,488.60**

Co-operative Sector Support

Since 1998 FSCO has been provided with a budget appropriation of $500,000 to cover the cost of regulating the cooperatives sector. Even though this Sector generates some revenue through fees, the government has recognized that the Co-operative Sector is incapable of bearing the full burden of the cost of regulation and has subsidized this sector through a budget appropriation.

Accounts Receivable Shortfall

FSCO receives an annual interim spending authority under Section 15 of the Financial Administration Act, FAA to cover operating expenditures that are subsequently recovered from the regulated sectors through fees and assessments. One of the mandatory requirements of this interim authority is that all of FSCO's operating costs to regulate the sectors must be recovered within the same fiscal year.

Over the years, FSCO has established numerous control processes to ensure that regulated sector companies settle their invoices before the books are closed for the year. However, there is a time lag between the issuance of FSCO's final assessment notices and the receipt of revenues to coincide with the close of the books at fiscal year-end. The appropriation of $1,988,600 is required each fiscal year to cover the risk of not collecting all accounts receivables before the books are closed for the year. The budget allocation for accounts receivable is expected to be fully recovered in the following fiscal year.

Human Capital Plan

FSCO's human capital activities support the organization's ability to meet its strategic goals and outcomes. The activities contribute to the strategic outcome of being an agile and adaptable organization. FSCO will build its capacity to be nimble, flexible and forward-looking in delivering its mandate in the changing internal and external environment. It will do this by building a culture that embodies the principles of the regulatory framework and provides the supportive processes that promote knowledge transfer, develop transferable skills, and empower staff to make risk-based decisions.

Key Human Resource Issues

As described in the environmental scan, there are several issues that continue to impact FSCO's human resources, including changing demographics (for example, an aging workforce), staffing and compensation constraints (note: FSCO follows the OPS compensation strategy), and organizational changes, notably the government's decision to establish FSRA, a new independent and flexible regulator of financial services and pensions.

These factors continue to pressure FSCO's ability to recruit and retain staff and reinforce the need to build internal capacity through succession planning, knowledge transfer and staff development so that FSCO can continue to provide expert regulatory services that keep pace with an evolving marketplace.

Human Capital Plan Priorities

To support the achievement of FSCO's existing Strategic Plan, the following human capital-focused operational outcomes have been identified:

- Implement a strategic professional development program;
- Promote skill and knowledge transfer;
- Develop a strategic succession management plan; and
- Implement effective staff engagement strategies.

Additional effort will be dedicated to change management activities to enhance change management capability and organizational agility, especially in relation to the establishment of FSRA.

FSCO's human capital plan will continue to evolve as decisions are made and a new strategic plan is developed.

Information Technology (IT) Plan

The Enterprise Business Solutions (EBS) Branch is responsible for FSCO's business systems development, computer networks, internet services, telephone communications and project management needs. These services are crucial to the delivery of services that FSCO provides to both consumers and the regulated sectors.

IT Priorities

FSCO has identified two main priorities for the next three years that will benefit the sectors that FSCO regulates:

- Enterprise Development Program (EDP)
- Enterprise Business Architecture

These priorities align with FSCO's strategic outcome "common and integrated processes enabled by integrated technology solutions" and the program/business areas' priorities.

FSCO has set out plans to streamline and update its IT infrastructure and decommission 38 of its systems that reside on legacy platforms. In addition, these priorities focus on reducing FSCO's technology footprint and reliance on fee-for-service consultants.

In December 2016, the government passed enabling legislation to create a new regulator, FSRA. Accordingly, the Ministry of Finance decided to delay major IT capital investment for FSCO systems until the FSRA Board is appointed.

In preparation for these changes, a review of the current IT infrastructure and IT controls is critical to understand the current state and current requirements, and to provide a background for planned enhancements. This review is being conducted by Ontario Internal Audit Division.

IT Implementation Plan

Table 7 provides a list of IT projects, subject to approval, that are related to FSCO's IT priorities, as well as a high-level implementation timeline.

Table 7: IT Implementation Plan

Name of Project	Activities	Implementation Timeline		
		2017-18	2018-19	2019-20
EDP Note: With the passage of the FSRA Act in December of 2016, the Ministry of Finance decided to delay major IT capital investment for FSCO systems until the FSRA Board is appointed.	• The objective of EDP is to replace the aging legacy systems into one comprehensive enterprise licensing and stakeholder relationship system. FSCO would integrate the client relationship management (CRM) software functionality with enterprise resource planning (ERP) software functionality. This will assist FSCO in its legacy systems' migration, improve FSCO's internal financial controls, and reduce its technology footprint. The EDP proposed scope will focus on replacing the critical systems first which are the Pensions and LMCD systems. FSCO is also requesting an Enterprise Resource Planning System to have a comprehensive solution to integrate FSCO's stand-alone financial systems and manual processes into a single corporate financial, planning and reporting system. Remaining system updates to replace all legacy systems will be requested at a later date.			
Enterprise Business Architecture	• Defining the target architecture and developing an IT road map; • Defining the scope, priority and timeline of potential FSCO initiatives; • Enhancing FSCO's IT organization and capacity; • Reviewing FSCO's IT processes and procedures; and • Publishing an IT service catalogue and the associated service level agreement (SLA).			

Communications Plan

FSCO's communications plan for the next three years recognizes the needs for flexibility and improvement in the way we communicate with consumers, pension plan beneficiaries and industry stakeholders.

Greater awareness of FSCO's regulatory activities, as well as increasing the level of understanding of entities' obligations under the law will help promote compliance and increased consumer protection in the regulated sectors. FSCO will continue to use a variety of products and channels, such as bulletins, e-newsletters, meetings, and digital tools, to inform stakeholders and consumers about its actions in the regulated sectors and marketplace. FSCO will also look to improve its methods for communicating with audiences on key initiatives to support better regulatory outcomes.

Over the coming years, there will be a greater focus on public education and engagement in an effort to increase consumers' understanding of their rights and responsibilities when interacting with regulated entities. FSCO will work to improve its digital offerings and expand its presence on social media platforms in order to reach out to Ontarians on key topics, such as financial literacy and fraud prevention.

FSCO strongly supports the Ontario Public Service's commitment to create a barrier-free and accessible Ontario by 2025, and is committed to this journey towards accessibility. In 2014, FSCO began work on meeting the Accessibility for Ontarians with Disabilities Act (AODA) standards for websites. FSCO has also been taking steps to enhance the accessibility of its forms by providing them on FSCO's website in accessible PDF and additional, user-friendly fillable formats such as HTML. This work will continue in earnest, in order to meet the legislated deadline of full compliance with the AODA by January 1, 2021.

Communication initiatives are aligned with the strategic outcome of awareness of FSCO's actions in the financial services marketplace and directly associated with the following outcomes from the 2015–18 Strategic Plan:

- Adequate disclosure of information to enable informed decisions by consumers;
- Improve on-going communication with the public and stakeholders;
- Seek, evaluate and respond to feedback from the public and stakeholders;
- Increase transparency and communication of core regulatory functions;
- Design tools and use information that supports the principles of the risk-based approach; and
- Optimize research and market intelligence in support of regulatory decision-making.

Communications Initiatives

Table 8 provides an overview of the key communications initiatives FSCO is planning for 2017-2020, over and above the regular business communications that will occur in support of FSCO's regulatory activities and programs.

Table 8: Communications Initiatives

Communications initiative/project	Planned Outcomes	2017-18	2018-19	2019-2020
Anti-Fraud Consumer Education and Engagement	• Promote FSCO's anti-fraud resources through FSCO's Twitter account, on an ongoing basis. • Co-host a live twitter chat (#Fraudchat) with Toronto Police Services to raise awareness of anti-fraud resources.			
	• Participate in Fraud Prevention Month on an annual basis and run a proactive integrated marketing communications campaign to support different topics relating to fraud prevention for consumers.	(March)	(March)	(March)
Financial Literacy Consumer Education and Engagement	• Participate in Financial Literacy Month on an annual basis by launching a broad reaching digitally-focused education campaign. • Look for additional opportunities to promote financial literacy, capitalizing on established third-party, consumer-focused campaigns (e.g., Cyber Security Month, Emergency Preparedness Week).			
FSCO Website Enhancements	• Modernize and re-design FSCO's website to ensure it is mobile-responsive and Web Content Accessibility Guidelines (WCAG) 2.0 Level AA compliant. • Provide a better web experience for individuals who access FSCO's website through tablets and smart phones.			
	• Implement new digital media services, tools and resources that will provide consumers and licensees the tools and information they need to comply with legislation, and make educated decisions about their financial well-being. Potential tools and resources include: mobile applications, videos, calculators, podcasts and webinars.			

Communications initiative/project	Planned Outcomes	2017-18	2018-19	2019-2020
AODA Compliant and Fillable Forms	• Ensure all forms posted on FSCO's website meet AODA standards. • Transform select forms, where appropriate, into fillable smart forms for ease of use.			

The Motor Vehicle Accident Claims Fund (MVACF)

MVACF's Responsibilities

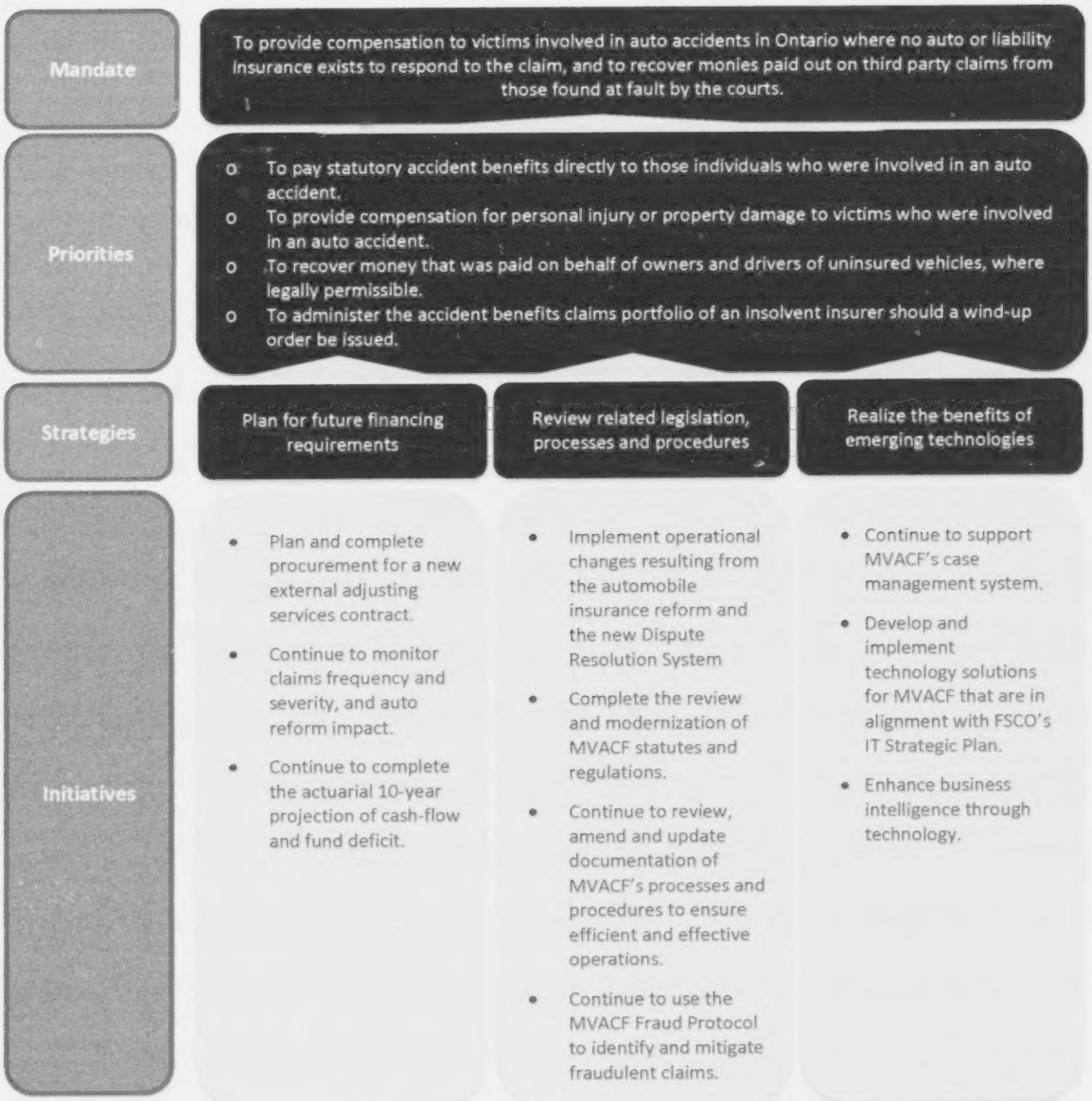
MVACF is established under the authority of the Motor Vehicle Accident Claims Act (MVAC Act) as a special purpose fund that reports its financial statements in Volume 2c of the Public Accounts. The business unit that runs MVACF is part of FSCO's Automobile Insurance Division.

MVACF is considered to be the "payer of last resort," as it provides compensation for statutory accident benefits to people who were injured in automobile accidents in situations where no automobile insurance exists, or a hit and run took place. MVACF's role was expanded in 2002 to pay accident benefits claims of insolvent Ontario insurers, upon the issuance of a wind-up order. MVACF also provides compensation for personal injury or property damage to people involved in automobile accidents with an uninsured or unidentified driver, in situations where no liability insurance exists. MVACF works to recover money that was paid on behalf of the owners and drivers of uninsured vehicles, and has the power to suspend the drivers' licences of those individuals who are indebted to MVACF, where legally possible.

MVACF's Strategic Direction and Initiatives

MVACF's mandate, priorities, strategies and initiatives are outlined in Figure 2.

Figure 2


Mandate
To provide compensation to victims involved in auto accidents in Ontario where no auto or liability insurance exists to respond to the claim, and to recover monies paid out on third party claims from those found at fault by the courts.
Priorities
o To pay statutory accident benefits directly to those individuals who were involved in an auto accident.
o To provide compensation for personal injury or property damage to victims who were involved in an auto accident.
o To recover money that was paid on behalf of owners and drivers of uninsured vehicles, where legally permissible.
o To administer the accident benefits claims portfolio of an insolvent insurer should a wind-up order be issued.
Strategies
Plan for future financing requirements
Review related legislation, processes and procedures
Realize the benefits of emerging technologies
Initiatives
• Plan and complete procurement for a new external adjusting services contract.
• Continue to monitor claims frequency and severity, and auto reform impact.
• Continue to complete the actuarial 10-year projection of cash-flow and fund deficit.
• Implement operational changes resulting from the automobile insurance reform and the new Dispute Resolution System
• Complete the review and modernization of MVACF statutes and regulations.
• Continue to review, amend and update documentation of MVACF's processes and procedures to ensure efficient and effective operations.
• Continue to use the MVACF Fraud Protocol to identify and mitigate fraudulent claims.
• Continue to support MVACF's case management system.
• Develop and implement technology solutions for MVACF that are in alignment with FSCO's IT Strategic Plan.
• Enhance business intelligence through technology.

MVACF's Activities and Accomplishments

In 2015-16, MVACF's total cash payouts were $26 million with $21 million in payouts for accident benefits to over 484 claimants, and $5 million in payouts for 96 third-party claims from victims of uninsured vehicles and hit and run drivers.

MVACF completed the reorganization of the Enforcement and Administration Unit in 2015-16. The organization structure in the Claims Administration Unit was reviewed in 2016-17 in order to enhance capacity to respond to sensitive claims against the province under the MVAC Act. MVACF is reviewing its business requirements and working with FSCO in the planning and development of a new computer system.

MVACF's Financial Information

MVACF gets its funding through a separate vote item under the Interim Payment Authority Section 15 of the Financial Administration Act (FAA). The operational expenses and statutory claims payments are made directly out of the Consolidated Revenue Fund (CRF) with MVACF reimbursing the CRF at the end of the fiscal year. Drivers' licence fees and payments from debtors under the MVAC Act, go toward the revenues for the fund.

The annual spending authority and budget appropriation are requested through the government's Program Review, Renewal and Transformation (PRRT) exercise.

In 2016-17, MVACF, with 25 approved full-time staff (FTEs), requested a spending authority of $10.3 million and a budget appropriation of $1,000. Table 9 provides details on MVACF's spending authority and Table 10 sets out the allocation outlook.

Table 9: MVACF's 2017–20 Spending Authority Outlook by Major Expenditure Type ($000)

Expenditure Type	Average % Change Year-over-Year for 2017-20	2017-18 ($)	2018-19 ($)	2019-20 ($)	2017-18 over 2016-17	2018-19 over 2017-18	2019-20 over 2018-19
FTEs		25	25	25			
Salaries and Wages	3.1%	2,536.89	2,536.89	2,536.89	9.2%	0.0%	0.0%
Benefits	1.7%	366.58	366.58	366.58	5.2%	0.0%	0.0%
Total Salaries and Benefits	**2.9%**	**2,903.47**	**2,903.47**	**2,903.47**	**8.7%**	**0.0%**	**0.0%**
Transportation and Communication	0.5%	84.56	87.14	89.71	-4.6%	3.0%	3.0%
Services	4.0%	8,103.94	8,347.02	8,597.51	6.1%	3.0%	3.0%
Supplies and Equipment	-8.8%	117.83	121.33	125.04	-32.4%	3.0%	3.1%
Total ODOE	**3.7%**	**8,306.33**	**8,555.49**	**8,812.27**	**5.1%**	**3.0%**	**3.0%**
Total DOE	**3.5%**	**11,209.80**	**11,458.96**	**11,715.74**	**6.0%**	**2.2%**	**2.2%**

Table 10: MVACF's 2017–20 Spending Authority Allocation Outlook ($000)

Transaction Type	Requested Budget Appropriation ($)			Year-Over-Year % Increase / (Decrease)		
	2017-18	2018-19	2019-20	2017-18 over 2016-17	2018-19 over 2017-18	2019-20 over 2018-19
Expenses	11,209.80	11,458.96	11,715.74	6.0%	2.2%	2.2%
Recoveries	11,208.80	11,457.96	11,714.74	6.0%	2.2%	2.2%
Net Operating (Expenses)/Revenues	**-1.00**	**-1.00**	**-1.00**	0.0%	0.0%	0.0%

The Financial Services Tribunal

Mandate and Responsibilities

The Financial Services Tribunal (FST) is an independent, expert adjudicative body composed of nine to fifteen part-time members, including the Chair and two Vice-Chairs of the Commission.

FSCO provides the FST with supporting staff (2 FTEs), space, information technology resources, and financial funding.

The FST exercises the powers conferred under the FSCO Act and other acts that confer powers on, or assign duties to the FST. It has exclusive jurisdiction to determine all questions of fact or law that arise in any proceeding before it. The FST has the authority to make rules regarding the practices and procedures that are applicable to the proceedings before it. It also has the authority to order a party to a proceeding before the FST, to pay the costs of another party, or the FST's costs for the proceeding in limited circumstances.

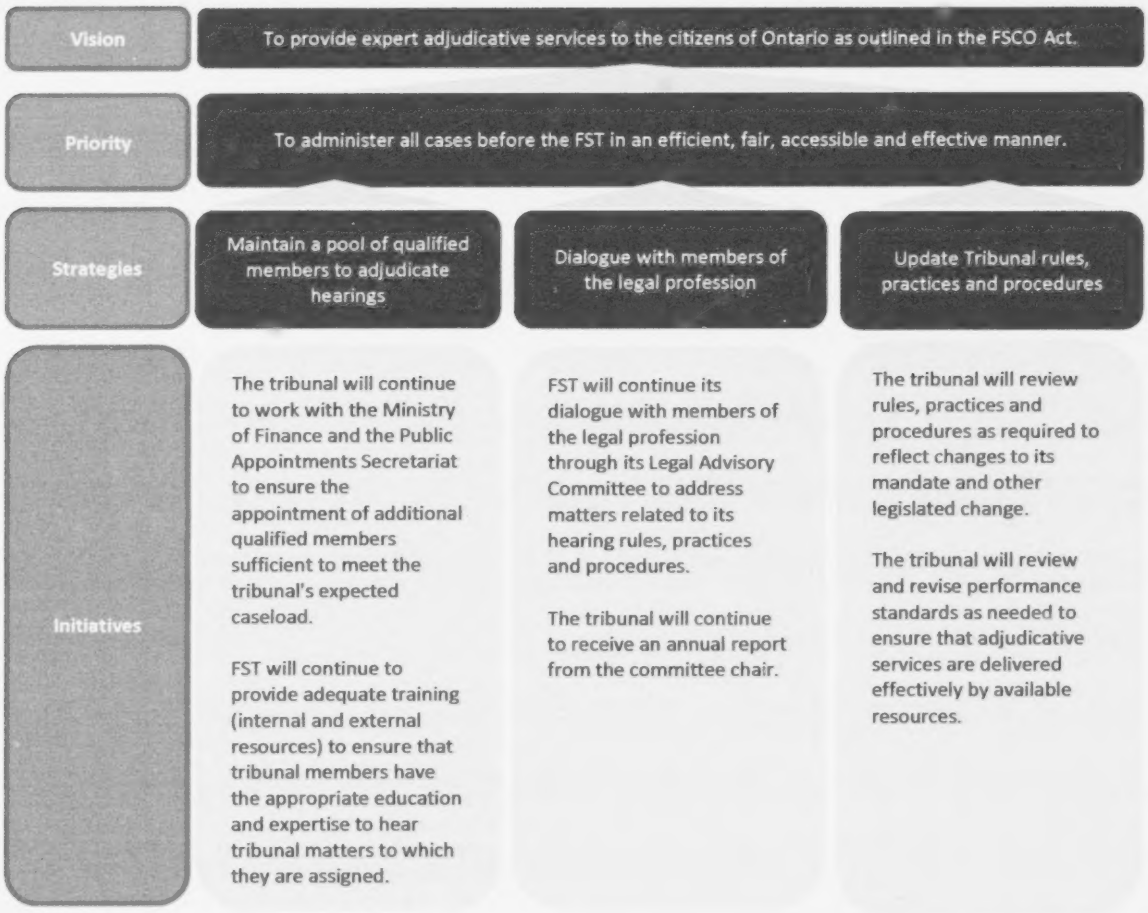
In 2015, the Ontario Minister of Finance appointed an Expert Advisory Panel to review the mandates of FSCO, the FST and DICO. The panel submitted its final report to the Minister, dated March 31, 2016. In December 2016, the government passed legislation entitled the Financial Services Regulatory Authority of Ontario Act, 2016, which will come into force on a future date to be named by the Lieutenant Governor. The legislation establishes the initial parameters of the Financial Services Regulatory Authority of Ontario (FSRA), a new independent and flexible regulator of financial services and pensions.

The Tribunal recognizes that this may affect its governance structure, areas of responsibility and related workload and need to expand membership.

Strategic Direction and Initiatives

The vision, priority, strategies and initiatives of the FST are outlined in Figure 3.

Figure 3


Vision
To provide expert adjudicative services to the citizens of Ontario as outlined in the FSCO Act.
Priority
To administer all cases before the FST in an efficient, fair, accessible and effective manner.
Strategies
Maintain a pool of qualified members to adjudicate hearings
Dialogue with members of the legal profession
Update Tribunal rules, practices and procedures
Initiatives
The tribunal will continue to work with the Ministry of Finance and the Public Appointments Secretariat to ensure the appointment of additional qualified members sufficient to meet the tribunal's expected caseload.
FST will continue to provide adequate training (internal and external resources) to ensure that tribunal members have the appropriate education and expertise to hear tribunal matters to which they are assigned.
FST will continue its dialogue with members of the legal profession through its Legal Advisory Committee to address matters related to its hearing rules, practices and procedures.
The tribunal will continue to receive an annual report from the committee chair.
The tribunal will review rules, practices and procedures as required to reflect changes to its mandate and other legislated change.
The tribunal will review and revise performance standards as needed to ensure that adjudicative services are delivered effectively by available resources.

Performance Measures

In accordance with the OPS Service Directive, the FST has service standards to meet the Directive's mandatory requirements, as shown in Table 11. For a listing of the FST service standard results, please visit the FST Home/Service Standards page at: http://www.fstontario.ca

Table 11: FST Performance Measures

Measure	Target
Acknowledgement letter to be sent within 5 calendar days	100%
Pre-hearing dates to be confirmed within 35 calendar days of filing a perfected Request for Hearing or Notice of Appeal	90%
FST decisions to be issued within 90 calendar days	90%

The long-term outcome for the FST is that its decisions will provide clarity in the application of requirements in financial services regulation, resulting in greater confidence in the financial services sectors and the independent adjudication process. The FST has developed Rules of Practice and Procedures for hearings before the Tribunal, Practice Directions and conflict of interest guidelines, which are regularly reviewed and posted.

Appendix 1 – FSCO Organizational Chart